

Pacific Buzz (February 21): Russia in the Pacific | Trade updates | Guam military scale back | Tongan remittances drop... and more



by Development Policy Centre

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A roundup of development policy issues in the Pacific by the [Pacific Institute of Public Policy](#) and the [Development Policy Centre](#).

Russian courting shakes up the Solomon Islands

Russia's [courting of Pacific island states](#) continues to cause political fallout, with the Solomon Islands foreign minister, Peter Shanel, sacked by Prime Minister Gordon Darcy Lilo. This was for allegedly agreeing to forge closer diplomatic relations during a recent meeting with Russian foreign minister, Sergei Lavrov, in Fiji. Russia claims that the issue of recognition for its proxy states Abkhazia and South Ossetia was not raised in any meetings, but is offering more general bilateral assistance to Pacific countries as Russia follows the US in its 'pivot' towards the Asia Pacific region. Amidst speculation that Prime Minister Lilo plans to [remove another four ministers](#), Mr Shanel says claims that his [sacking over the Russian issue](#) was a cover up and that his removal was pre-planned.

Politicking in Solomon Islands was temporarily put on hold as the nation gathered to farewell elder statesman and first governor general, Sir Baddeley Devesi, at a [state funeral](#) service in Honiara.

Trading beyond fish and coconuts

The existing trade agreement between Pacific island countries will be expanded to

include the **liberalisation of the service sector**. Trade officials have agreed to develop a schedule of commitments under the Pacific Islands Countries Trade Agreement to open up economies to other island countries, with a focus on tourism, transportation and business services. This move signals a potential advancement in intra-regional trade and recognises that the future of the small island economies is based on trade in services rather than goods.

At the same time, it was **announced** that Dr Edwini Kessie has been appointed as Chief Trade Adviser for the Pacific island countries. The appointment of Dr Kessie, a Geneva-based international trade law expert, comes ahead of the next round of talks between island countries and Australia/New Zealand on the Pacific Agreement on Closer Economic Relations (PACER Plus). Though this recent **piece** by Wesley Morgan suggests that Australia has lost interest in PACER Plus.

US budget and military scale down

Despite a tough fiscal year ahead, US President Barack Obama has proposed a **2013 financial year budget** of US\$575.3 million for the Office of Insular Affairs (increased from US\$464.3 million), which includes US\$238.9 million in payments (increased from US\$232.1 million) to the three freely-associated States in the Pacific (Republic of the Marshall Islands, Federated States of Micronesia and Palau) under their Compacts of Free Association.

Budget and strategic pressures are reflected in the likely **scaling back** of the US\$23 billion military buildup on Guam, with the number of proposed marines dropping from 8,000 to 4,700. Guam has also raised concerns over **federal 'compact-impact' funds** proposed in the budget, saying this is not enough to deal with rising costs related to the proposed build up and pressure on local services.

Tongan remittances drop

Tonga's economy continues its downward trajectory as remittance inflows fall. There has been a drop of **US\$48 million** since 2008, indicating that the Tongan diaspora is feeling the impacts of the global economic turndown. Remittances are a key source of revenue for Tonga, with the rate of inflows **second highest** in the Pacific. The National Reserve Bank will host an **economic dialogue** next month to map out strategies to strengthen economic growth.

Deep seabed exploration off Nauru

Nauru is the first developing country to take advantage of an international framework which sets aside areas of the seabed located in international waters (rather than within a specific EEZ) for mineral exploration and extraction. This marks

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a significant extension of the scope of resource use in the region. Whilst this project is described as being under ‘sponsorship’ by Nauru, it is essentially a private sector operation. Nauru Ocean Resources Inc. (NORI) in partnership with a group of former executives from Nautilus Minerals, a leading seafloor mining company already operating in PNG, is the first company to obtain a licence to explore deep sea minerals in an area reserved for developing countries. The licence has been granted by the International Seabed Authority (ISA), which oversees the United Nation Convention on Law of the Sea – a treaty signed by over 160 countries. NORI will be allowed to explore an area within international waters at estimated depths of 5,000 m, and is planning to explore deep sea minerals in a 25,000 km zone between Hawaii and Mexico later this year.

A number of countries within the ISA were opposed to the approval of the licence saying that the industry lacks regulation, and the environmental impacts remain uncertain. The secretary general of the ISA, Nii Allotey Odunton, suggested at recent meeting in Fiji that a precautionary approach will help limit the impact on deep-sea species.

In brief:

- PNG’s political saga is still before the courts as Dame Carol Kidu becomes the leader and the only member of the opposition and Sir Michael Somare announces his intention to stand again in this year’s election.
- Improving Fiji’s energy security.
- Poland establishes diplomatic ties with Palau.
- Cook Islands population decline blamed on lack of labour policy.
- Malnourished children in East Timor a cause for worry.
- Major flooding in Tonga from tropical cyclone Jasmine.

This biweekly roundup of development policy issues in the Pacific is a joint venture of the Pacific Institute of Public Policy and the Development Policy Centre. Editorial content is the responsibility of Derek Brien, PiPP Executive Director, and Stephen Howes, Devpolicy Director.

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The Development Policy Centre is part of the Crawford School of Public Policy under the College of Law, Governance and Policy at The Australian National University.

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